Aptech

Unleash your potential

Aptech Limited

ANNUAL REPORT 2016-17

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Corporate information

Board of Directors

Rakesh Jhunjhunwala
Chairman

C. Y. Pal
Vice Chairman

Anil Pant
Managing Director & CEO

Anuj Kacker
Whole Time Director

Asit Koticha
Director

Madhu Jayakumar
Director

Ninad Karpe
Director

Rajiv Agarwal
Director

Ramesh S. Damani
Director

Utpal Sheth
Director

Vijay Aggarwal
Director

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Ketan H. Shah
Company Secretary

Statutory Auditors

M/s. Khimji Kunverji & Company
Chartered Accountants,
Sunshine Tower, Level 19,
Senapati Bapat Marg,
Dadar (W), Mumbai - 400 028.

Bankers

HDFC Bank
Trade World, 'A' Wing, 2nd Floor,
Kamla Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

Yes Bank
25th Floor, Tower 2,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Lower Parel (W), Mumbai - 400 093.

Union Bank of India
Union Bank Bhavan, 239, 1st Floor,
Vidhan Bhavan Marg,
Nariman Point, Mumbai - 400 021.

Axis Bank
Ahura Centre, 28,
Mahakali Caves Road,
Andheri (E), Mumbai - 400 093.

Registrar & Transfer Agents

M/s. Karvy Computershare Pvt. Ltd
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,
Financial District, Hyderabad - 500 032
Tel No : +91 40 6716 2222
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Management Discussion and Analysis

Aptech in the Education Sector

Aptech is a pioneer in the private vocational training space and has grown considerably from one centre in Mumbai to global presence in more than 40 countries in the 30+ years since its inception in 1986. The core value proposition of bridging the skill gap between job aspirants and industry requirements that led to Aptech's initial success, continues to remain relevant till date. The Company's diversified portfolio of brands cater to demand for skilled manpower in multiple sectors. Over the years, it has also successfully ventured into related markets within the Training & Education industry such as Assessment & Testing solutions, Pre-schools & Day Care Centres, etc.

Business Overview

Aptech's business portfolio can be segmented into two categories, viz. Retail and Institutional. Retail segment consists of centres offering Aptech's programs in the Vocational space and Pre-school segment in the retail (B2C) format. The programs in the Vocational space are offered under multiple brands and targeted at job aspirants in services industries that offer attractive career opportunities.

Vocational segment brands catering to skilling for specific industries:

<table>
<tr><th>Brands</th><th>Franchise Format</th><th>Skill Areas</th><th>Industry</th></tr>
<tr><td>Arena Animation</td><td>Arena Animation (Offered as Arena Multimedia in the international markets)</td><td>Graphic Design, Web Design, Photography, 2D & 3D Animation, Visual Effects, Gaming</td><td>Media & Entertainment</td></tr>
<tr><td>MAAC</td><td>MAAC</td><td>2D & 3D Animation, Visual Effects, Film Making, Gaming</td><td>Media & Entertainment</td></tr>
<tr><td>Aptech Computer Education</td><td rowspan="5">Courses from a combination of 3 to 5 of these brands offered under Aptech Learning brand in the domestic market.</td><td>Software Development</td><td>Information Technology</td></tr>
<tr><td>Aptech Hardware & Networking Academy</td><td>Hardware Engineering, Network Management, Software Administration, IT Management</td><td>Information Technology</td></tr>
<tr><td>Aptech Aviation & Hospitality Academy</td><td>Customer Service, Airport Management, Ticketing, Hotel Management, Tourism</td><td>Aviation, Hospitality and Travel & Tourism</td></tr>
<tr><td>Aptech English Learning Academy</td><td>Language Learning</td><td>All</td></tr>
<tr><td>Aptech Banking & Finance Academy</td><td>Banking, Financial Sales, Investment Advisory, Depository Operations, Equity Dealing</td><td>BFSI</td></tr>
<tr><td>Lakme Academy Powered By Aptech</td><td>Lakme Academy Powered By Aptech</td><td>Skin Care, Make-up, Hair Style, Nail Care</td><td>Beauty & Grooming</td></tr>
</table>

Nearly all of the Aptech centres of the above brands operate as franchisees. Aptech owns and operates only a few own centres. Training programs offered under these brands range from 1 week to 3 years and focus on imparting job oriented practical skills to the students. Aptech also provides placement assistance to the students, including guidance on interview and communication skills. In addition to the above brands, Aptech also offers structured courses for skills such as Sales, Store Management, Merchandising, Distribution, Customer Handling, etc. that are relevant for jobs in the Organized Retail industry in partnership with the TRRAIN foundation.

The Company also expanded its target segment by entering into the pre-school segment under the brand name Aptech Montana International Pre-school and Day Care Centres in FY17. This format has been launched in partnership with an existing chain of pre-schools.

In the international markets, Aptech also operates with additional formats in addition to franchising of the above brands. These additional formats have been successfully used by Aptech to adapt to the market needs in individual countries or specific business opportunities. In many of these adapted formats student enrolment and training delivery is done in the B2C format, while the course fees are paid for by an institution. Some of the key offerings that are not following the standard franchise format are as follows:

- **Aptech Indian Technical and Economic Cooperation (ITEC) Program**

  Aptech is an empanelled training provider with the Indian Technical and Economic Cooperation (ITEC) and Special Commonwealth African Assistance Program (SCAAP) bilateral programs of the Ministry of External Affairs, Government of India since 2002. ITEC and SCAAP aim to promote friendly relations and understanding of India by providing fully sponsored training programs in India to selected individuals from developing countries. Aptech offers courses in IT, Multimedia and Language Training at its dedicated facility in New Delhi for ITEC program.

- **Aptech International Window Program (IWP)**

  Aptech's exclusive program for International students and professionals offering a gamut of courses in Aptech's portfolio in India. In addition to its dedicated training infrastructure in Bengaluru, IWP also conducts training programs at other locations.

- **Aptech Learning Ladder**

  Aptech Learning Ladder offers a structured 360° program in IT and Multimedia from Kindergarten to Grade 8. The curriculum is developed in a manner that it imparts age appropriate skills in these areas in an engaging manner using technology, unique pedagogy and interesting books.

Institutional segment covers the Assessment and Skills offerings from Aptech in the B2B and B2G format. Aptech's offerings in this segment are marketed under following brands:

- **Aptech Assessment & Testing Solutions**

  Aptech solutions in this space can be classified as Computer Aided Assessments (typically multiple choice questions) and Digital Evaluation for paper based exams (descriptive Q&A). Different use cases for Computer Aided Assessment offering include entrance exams for courses, recruitment and screening exams, semester-end exams and assessment centres. Aptech has capabilities to offer end-to-end solution to clients with its proprietary IT platforms for both offerings.

- **Aptech Training Solutions**

  Training solutions are offered in sales, customer services, soft skills, IT and skilling domain to industry and government sectors. The Company specializes in rolling out large training mandates and in programs catering to learning and development needs of middle to lower level employees.

Business Strategy

Over the years Aptech has acquired and developed core competence in Learning Centre Network Management and Content Development in the non-formal education. Key underlying strategic framework behind Aptech's business choices in the B2C segment are:

1. Asset light business models (Franchising/ Licensing)
2. Multi-product and multi-geography presence (Diversification)
3. Partnership approach for new product development (Collaboration) and course delivery (Better Franchisee Economics)
4. Adoption of appropriate entry strategies for new markets (Flexibility)

On top of these strategic choices, the Company has made three major strategic moves in this fiscal year to drive sustainable, profitable growth.

1. **Employment Driven Enrolments instead of Enrolment Driven Employment:** Aptech has reinvented its mission to elimination of 'Un-employability'. With this new mission, it has reoriented its B2C brands to focus on available jobs and then drive student enrolments to aligned courses vs. the previous approach of assisting students with suitable job placements after course completion. The Company has invested in a dedicated team for Industry Connect and Placements (ICAP) to improve its industry interface to understand the skill demand, align Aptech's courses (content, duration and delivery) and assist with placements.
2. **Demographic expansion of the Target Group:** Continuing within its strategic framework, the Company made a choice to expand beyond its core target segment of Young Adults (18 – 23) at both the ends. At the lower end, Aptech made its maiden entry into the pre-school segment catering to the age group of 1 to 5 years. For the 23+ age group, the Company is driving its employability focus by launching specific courses catering to the Graduate and Professionals segment for reskilling.
3. **Brand consolidation for improved franchise economics:** Aptech started offering courses from five of its brands that use the Aptech mother brand at the same centre under a new brand format 'Aptech Learning'. This would help reduce the capital investment and improve sales effectiveness by covering a larger segment of the target demographic, thus reducing risk and bettering returns.

In the international markets, the Company continues to expand in newer markets and expand its presence in existing countries. It is working with many governments and institutions to promote skill development in many countries. Aptech has made a shift in its approach of focusing only on developing countries by expanding its efforts to gain entry also in developed economies such as US, Australia, Singapore, etc.

In the Enterprise Business segment, the Company is focused on helping clients transition from paper and pencil tests to the computer aided assessment paradigm. It has also expanded its offering by helping digitize the evaluation process for theory paper answer sheets. In addition to its testing platform, the Company has developed its own proprietary solution for digital evaluation. Aptech has expanded its geographical presence and on-boarded a larger team to attract and cater to larger pool of customers. The Training Solutions business will continue to be important to offer a full spectrum of services to institutional clients in Learning & Development space. The Company will also continue to pursue opportunities in Skilling segment with governments wherever the terms of the engagement are favourable.

The Company is focused on bringing up its workforce to handle the SCUVA (Scalability, Complexity, Uncertainty, Volatility and Ambiguity) challenges faced in today's business environment. It has put in place organization development processes to raise the capabilities to meet these challenges as a significant part of its strategy.

Consolidated Financial Performance

The Company's Total Operating Revenue on a consolidated basis for the year ended March 31st 2017 stood at ₹ 21,333 lac, reflecting a growth of 30.6% against the previous year. The revenue has grown for both its segments, viz. Retail and Institutional, and in domestic and international markets. Segment revenue for Retail was higher by 12.1% and for Institutional business by 108.7%. With the inbuilt operating leverage in the business models for both segments, the growth in revenue has translated into a bigger jump in profits. The Operating EBIT grew by 93.2% in FY17 vs. FY16. The Company announced a stock options scheme for its employees in September 2016, which impacted the P&L by ₹ 581 lac, and excluding this impact the growth in Operating EBIT would have been 152.8%. The profitability growth has also been on account of change in business mix after the strategic shift in the last 3 quarters of the year. The Company has focused on pursuing only high margin businesses across all its segments. The increase in EBIT margins at the operating level was 558 basis points after excluding the ESOP expenses. Other Income was lower by ₹ 31 lac majorly on account of lower amounts invested in fixed deposits and shift in investments to tax free bonds. Profit Before Tax grew by 69.5% as compared to FY2015-16. Average tax rate for the year went down from 21.4% in FY2015-16 to 14.9% in FY2016-17 on account of spread of effective tax profits across subsidiaries in India and abroad. Overall basic EPS for the year was higher at ₹ 4.69 as against ₹ 2.55, up by 84.0%. Debt on the balance sheet continued to be nil, cash and liquid investment position was ₹ 4,843 lac and the debtor days stood at an average of 83 days as on 31st March 2017. The capital efficiency also went up with return on operating capital employed increasing to 20.1% from 11.5%. The Company generated a free cash flow of ₹ 1220 lac in FY2016-17 vs ₹ 527 lac in previous year.

Segment – wise Financial Performance (₹ in lacs)

	FY2015-16	FY2016-17	Variance	FY2015-16	FY2016-17	Variance
Segment	Retail			Non-Retail		
Operating Revenues	13,026	14,607	12.1%	3,223	6,726	108.7%
Operating EBIT	3,103	3,763	21.3%	202	1,440	612.9%
Capital Employed	3,112	2,602	-16.4%	893	2,130	138.5%

RETAIL TRAINING

Domestic Retail

Growth in the Domestic Retail segment was in-line with the overall Retail segment revenue growth. Major highlights for the Domestic Retail business for the year 2016-17 were as follows:

- Animation & Multimedia segment, which is the leading vertical for the Company from a revenue standpoint, witnessed greater demand for the job oriented courses offered under Aptech's Arena Animation and MAAC brands reflecting in the higher enrolment and booking performance.
- With the complete adoption of Onlinevarsity across all the brands, the income from educational course material has shown a marked uptick as compared to previous years.
- The Aptech Learning format, aggressive expansion drive with combo offers and new products helped the division achieve more than 90% growth in sign-up revenue.
- Income from franchise renewals went up by more than 20% for the division on account of improved terms for existing partners for a longer period.
- Aptech Montana International Pre-school & Day Care in its first year of launch was able to sign-up 23 new centres across the country.
- Aptech also added 19 new Lakmé Academy Powered by Aptech centres to its network.
- A new team called Industry Connect and Placements (ICAP) was formed with industry experts to be the liaison point between industry and Aptech to accurately map the skill demand and give design inputs for new course

development and course upgrades. This team is the key implementation agency for the Employment Driven Enrolment strategy.

- The Company is also adopting the Lead Franchise model in the domestic market. It has signed a Lead Franchise agreement for the IT Training brands covering the upcountry areas of Maharashtra state.
- Animation & Multimedia brands continued to have increasing participation in their marquee events, viz. OrbitLive for Arena and 24FPS for MAAC, with both being great success in giving students a platform to showcase their capabilities and recognizing the amazing work done by them and the Media & Entertainment industries.
- Aptech was honoured as India's Most Trusted Brand Award 2016 under the Training and Education category in the Consumer Survey Report, MRG 2016.

International Retail

Even in the difficult macro environment, International Retail segment of Aptech has continued to gain traction. Key performance highlights for the year 2016-17 are as follows:

- Aptech entered into multiple new countries either through the franchise model or with alternative approaches. The Company signed up franchisees for the first time in Ethiopia and Singapore. Singapore is Aptech's first franchising foray into developed (or advanced) markets.
- The Company established footprint in Costa Rica and Commonwealth of Dominica by operating the Centre of Excellence in Information Technology set-up by Indian government.
- Aptech has pursued alternative business models in countries where franchising has achieved limited traction. In FY17, it has signed up a leading University in Trinidad & Tobago as its Authorized Training and Testing Partner under a Certification model. It is also attempting to sign-up similar partnerships in the Latin American and Caribbean, and some other markets.
- Master Franchise agreement for the ECOWAS region was signed by the Company covering its Aptech Computer Education brand.
- In Nepal, Master Franchise partnership agreement was inked for three brands including Aptech Computer Education.
- On a constant currency basis, the division saw good growth in some of its major markets in South East Asia and Africa. However, due to devaluation of currency there was a hit on profitability for the Company's operations in an African country.
- Similar to the domestic market, International Business also saw growth from new sign-ups (24 new centre sign-ups), renewal and logistics.
- ITEC business has maintained its level of business from MEA in FY17, however there was a significant increase in partner revenues from Africa.
- ASSOCHAM recognized Aptech as a "Pioneer in Skilling Africa" at the India – Africa Champion-on-Biz Awards 2016.
- Aptech Vietnam won the ICT Gold Medal For Highest Turnover (Category: Training) and Top ICT Training Cup from HCM Computer Association for the 14th year in a row (2003 – 2016)
- Aptech Kazakhstan won the award for Best IT Training Centre award from the Kazakh Government

Retail Revenue (Rs. Lac)

Brand	FY2015-16	FY2016-17	Variance
Domestic Retail	6,982	7,845	12.3%
International Retail	6,044	6,762	11.9%
Grand Total	13,026	14,607	12.1%

BJB Career Education (China)

In 2000, Aptech entered the IT training market in China through a 50:50 JV (BJB Aptech) with Beida Jade Bird (BJB). Driven by the economic growth and the government's thrust to make China an important IT outsourcing nation, the IT training market in China has seen strong growth over the last two decades. Aligning itself to this growth, Aptech restructured its stake in the China JV in 2009. It divested its 50% stake in the JV and invested the proceeds in the holding company, BJB Career Education Company Ltd. (BJBC). Aptech currently holds 22.4% stake in BJBC and also has a Board seat. BJBC's main lines of business are vocational IT training (BJB Aptech) and distribution of vocational IT educational content to high schools, colleges and universities.

BJBC has not been, for more than two years, furnishing its financials to its investors, nor have they been convening Board/General body meetings. In order to establish investor protection, as also as a measure of Corporate democracy and transparency, a few major investors got together and filed appropriate petitions in the Honourable Court of Cayman Island and obtained favourable orders. The same is now being pursued to be served in Beijing, PRC where the company's office is situated, in order to take the matter further and thus conclusively establish shareholders' rights.

INSTITUTIONAL BUSINESS

Aptech Assessment & Testing business forms the major component of the Institutional segment, whereas Training Solutions mainly completes the offering mix to B2B and B2G customers. Important developments in FY2016-17 for the division are:

- The Assessment & Testing business crossed the 20 million test execution mark in its lifetime during the financial year.

- Entire revenue growth was driven by the Assessment & Testing business.
- Company has found major success in the B2G market with its offering for conducting recruitment exams.
- In addition to the recruitment and entrance exams, Aptech has also worked on number of unique use cases for Computer Aided Assessments during the year.
- 23 new clients were signed up by the Assessment & Testing business during the reported period.
- The Company also launched its platform for Digital Evaluation offering targeted at school boards and Universities who want to bring transparency, efficiency and quality in the process of evaluating answer sheets for theory exams.
- The Company has invested significantly in manpower and infrastructural resources, including new offices, to be able to offer the Assessment offerings across the country. While these have added to the costs, the resulting revenue growth has been much higher as reflected in the performance of the division.

Asian Institute of Communication and Research (AICAR) Business School

With the overcapacity in the management education space hurting its prospects and the Company continues to explore all possible options to transfer / sell the school.

Material Developments in Human Resources

Aptech's human resources form the foundational building block of the edifice of Company's success as an international Education and Training powerhouse. With the change in the leadership, there has been an active focus on shoring up Company's capabilities to support business growth through addition of new talent. The employee strength of the Company has thus gone up from 373 as on March 31, 2016 to 476 as on 31st March 2017. To have a motivated workforce aligned with its long term growth objectives, the Company has also implemented many new employee friendly initiatives such as:

1. 30-day Paternity Leave spread over six months. Among the first companies to introduce this policy.
2. Group term life insurance policy with a minimum cover of ₹ 1 crore for each employee.
3. Employee friendly changes in Leave Encashment Policy.
4. Liberal dress code policy.
5. World-class workplace with a coffee shop, gym and massage chair.
6. Group bonding sessions, engagement activities and training programs.

The average attrition rate for the year declined to 18.0% vs. FY2015-16 attrition of 19.3%. As another reflection of the Company's employee friendly work culture, Aptech was also recognized as Great Place To Work organization.

Macro Outlook

India

In FY2017, Indian economy continued to be one of the fastest growing large economies, though the growth was slowed down Government's decision to demonetize higher denomination currency notes. The government also pushed through other major reforms such as the Bankruptcy Bill and GST. The GDP growth in FY2017 slowed down to 7.1% because of tepid fourth quarter growth of 6.1% linked with demonetization impact. However, as per most estimates, gradual remonetisation has brought the economy back on track and it is expected to grow in the range of 7.3% - 7.9% as per various estimates. Impact of GST implementation is expected to be all encompassing and while there are likely to be teething troubles, in the longer term the economy is expected to benefit from the reform. Global economic environment is also projected to be moderately favourable. India is expected to receive normal monsoon in 2017. With the inflation in check, there is potential for the monetary policy to be more accommodative. Major concern areas on the economy front however remain to be continued slump in private investments, stressed corporate and bank balance sheets, and recent farmer unrests for loan waivers. From the Company standpoint, these factors are critical because of their impact on the job scenario. Even though the Company has been able to provide enough job opportunities for its students, any macro-economic impact on job creation may result in lower job opportunities for its students.

International

The world economy continued to struggle and failed to gather momentum. Though the initial concerns were related to the slowdown in China and possible rate hikes by US Federal Bank, the concerns majorly moved towards changing political climate post BREXIT, Donald Trump's victory and increased acceptance of extreme nationalist right-wing views in many Western economies. Commodity prices showed marginal recovery, thus reducing the stress on major commodity driven economies that are some of the key markets for Aptech as well. While there were widespread concerns about recoil from globalization after Donald Trump's victory in US presidential polls, his ascendancy also brought the cheer back in US markets due to potentially business friendly tax and regulatory policies espoused by his campaign. This also impacted many global markets positively. The International Monetary Fund (IMF) has projected the world economy to grow at a relatively faster pace of 3.5% in 2017 vs. the flattish growth of 3.1 percent in 2016. Emerging countries are expected to do grow at 4.5% and advanced economies by 2%.

Aptech's presence multiple large emerging market and developing economies allows it to diversify its country risk from

an economic point of view. It is present in both, commodity producing and commodity importing countries. Political risks outweigh economic risk concerns for many of Aptech's markets. GDP growth estimates from World Bank for Aptech's major international markets are provided below.

Country	% GDP Growth in 2016 (E)	% GDP Growth in 2017 (F)	% GDP Growth in 2018 (F)
Nigeria	-1.6%	1.2%	2.4%
Qatar	2.2%	3.2%	2.6%
Russia	-0.2%	1.3%	1.4%
Uganda	4.8%	4.6%	5.2%
Vietnam	6.2%	6.3%	6.4%

Business Outlook

In the domestic market, the Company expects the demand environment to be mildly optimistic going forward. The Company will continue to push its new strategies of Employment Driven Enrolment and brand consolidation under Aptech Learning, and try to align a greater share of its network and product basket to them. Aggressive expansion in the pre-school segment will be a key focus area for the Company. With the new strategies and products gathering greater momentum, the Company expects the Retail business to continue to grow.

In the coming financial year, Aptech will push new strategies in the International Retail business as well. In addition to the traditional approach of driving expansion in new and existing markets, and pursuing project opportunities, additional focus in FY18 will also be on:

- Pursuing presence in the developed countries
- Distribution of distance learning courses of partner universities
- Promotion of certification or alternative models in markets with limited traction for franchising model

Overall demand environment is likely to be a mixed bag with respect to the markets in which Aptech is present, however as a whole the International business is also expected to maintain its trajectory.

Aptech Assessment & Testing business will continue to be the key growth driver in the B2B and B2G space for the Company. Aptech has signed up many new customers during the reporting year for multi-year contracts and will continue to push for widening of its customer base to achieve scale. Due to the inherent nature of business there may be uneven growth on a quarterly basis, however on an annual basis the segment will continue to scale at a faster pace than other business segments of Aptech.

Given the operating leverage available to the Company because of its choice of business model in the Retail space and volume scalability of its existing resource base in institutional business, overall profit margins are expected to expand further with the profit growth outpacing the revenue growth.

Opportunities and Threats

Changes sweeping across the world of business because of technological advancements especially with artificial intelligence making automation of lower level tasks, including in hitherto unexpected domains such as software development, infrastructure consolidation through Cloud Computing, and smarter devices from Internet of Things are leading to job losses. These are real threats and have occupied minds of global leaders who are increasingly under pressure to generate jobs. However, these changes also mean there are new jobs that require different skills. This is therefore an opportunity for skill development companies such as Aptech. In addition to this, Aptech's worldwide presence in different economies also means there are countries at different stages of technology maturity cycle and hence, many of the existing products will continue to have demand in many parts of the world.

Digitization is also driving the change in the assessment process with the inherent benefits of transparency and efficiency for an examination conducting body. The adoption rate for Computer Aided Assessments is expected to continue to go up considerably. Any setbacks during the transition from Paper & Pencil (or Pen) format are likely to delay the adoption at an individual organization level, but are unlikely to have any major impact on the overall trend. Given its track record and strengths as an established player in this market, Aptech has the ability to exploit this market potential to the maximum.

The formal sector has consistently failed in most countries to provide employable manpower to industry at a scale and hence, Aptech and its programs will continue to be relevant. Since the industry needs are evolving at a much faster pace of change than the formal sector's capabilities, Aptech can continue to bridge the gap by being in step with the industry's needs. The graduates who are today considered unemployable, nearly 80% of the graduates passing out of Indian colleges, are the biggest opportunity for the Company, and it has made their transformation into employable candidates with a job its raison d'être.

Aptech's career education offerings are focused on some of the leading job creating industries in the services sector, such as Hospitality, Aviation, Travel & Tourism, Banking, Financial Services, Beauty, Media & Entertainment etc. With the Indian economy continuing its growth and becoming more organized, opportunity for Aptech to be a leading avenue to source skilled manpower will continue to expand. A corollary to this opportunity is the threat of delayed realization of this opportunity due to growth challenges in these industries.

Risks, Challenges and Concerns

Economic and industry growth influence availability of jobs, which are one of key factors in determining demand for Company's employment driven courses. With its presence in

many countries and many industries, while the Company is exposed to economic risks across the board, there is also a natural hedge through diversification which the Company has purposefully developed. With its international presence heavily tilted towards emerging countries, the Company also faces risks from political and social instability. However, with its focus on asset light business model, these risks are realized only in terms of loss of revenue and not as a capital loss.

In addition to the above macro risks, many business risks specific to its business operations that the Company needs to mitigate are

- Substitution risk on account of formal sector co-opting the skilling model in a formal structure
- Obsolescence risks related to content and demand risk for new content investments
- Brand risks due to dependence on franchisees for quality service delivery
- Network risks such as revenue leakage, fraud, etc.
- Security risks in maintaining confidentiality during test order execution

Aptech has adopted industry best practices and institutionalised processes to minimize deviations that lead to unforeseen risk events. The Company has an approved Risk Management policy to help the management mitigate all types of risks. Mitigation approaches are tailored to address and minimize the impact in case of an adverse risk event occurring.

Internal Controls and Their Adequacies

The Company has a clear organizational hierarchy, documented and published policies, well-defined authority matrix and adequate internal controls to manage its business operations. The Company invests time and resources to continuously upgrade its internal control systems. The Company has appointed 3rd party internal auditors to conduct regular internal audits of all its business operations and holds regular reviews by management to ensure compliance to policies, guidelines and business plans. The information systems also help in ensuring reliability of financial and other records to prepare financial statements and operational reports. The Management Information System reports are designed to provide timely and accurate information for effective control on expenses and monitoring of actual business performance in comparison with the annual budget.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include economic developments within the country, demand and supply conditions in the industry, input prices, changes in Government regulations, tax laws and other factors such as litigation and industrial relations.